

Section 3

Audit Standards—General Standards

It is the policy of the Office of the City Auditor to follow generally accepted government auditing standards (GAGAS), as provided in *Government Auditing Standards*, July 2007 Revision, issued by the U.S. Government Accountability Office—more commonly referred to as the **Yellow Book**.¹

This section documents the four general standards and provides guidance for performing financial audits, attestation engagements, and performance audits. These general standards deal with:

- Independence
- Professional Judgment
- Competence
- Quality Control and Assurance

Specifically, the general standards encompass the independence of the audit organization and its individual auditors; the exercise of professional judgment in the performance of work and the preparation of related reports; the competence of audit staff, including the need for their continuing professional education; and the existence of quality control systems and external peer reviews. Section 3 also documents the Office of the City Auditor policies and procedures for complying with the four general standards. The fieldwork and reporting standards and applicable policies are covered in Section 4 and Section 7.

¹ The July 2007 revision of Government Auditing Standards supersedes the 2003 revision and updates the January 2007 revision. The July 2007 revision represents the complete 2007 revision of Government Auditing Standards, and is the version that should be used by government auditors until further updates and revisions are made. The effective implementation date of the revised standards is January 1, 2008.

Government Auditing Standards--Performance Audits		
General Standards	Fieldwork Standards	Reporting Standards
Audit Manual Section 3	Audit Manual Section 4	Audit Manual Section 7
Independence	Reasonable Assurance	Form
Professional Judgment	Significance	Report Contents
Competence	Audit Risk	Report Quality Elements
Quality Control and Assurance	Planning	Report Issuance and Distribution

Independence

In all matters relating to the audit work, the audit organization and the individual auditor, whether government or public, must be free from personal, external, and organizational impairments to independence, and must avoid the appearance of such impairments of independence.

The Independence Standard also requires that auditors and audit organizations must maintain independence so that their opinions, findings, conclusions, judgments, and recommendations will be impartial and viewed as impartial by objective third parties with knowledge of the relevant information. Auditors should avoid situations that could lead objective third parties with knowledge of the relevant information to conclude that the auditors are not able to maintain independence and thus are not capable of exercising objective and impartial judgment on all issues associated with conducting the audit and reporting on the work.

In addition, the Independence Standard requires auditors when evaluating whether independence impairments exist either in fact or appearance with respect to the entities for which audit organizations perform audits or attestation engagements, auditors and audit organizations must take into account the three general classes of impairments to independence—personal, external, and organizational. If one or more of these impairments affects or can be perceived to affect independence, the audit organization (or auditor) should decline to perform the work—except in those situations in which an audit organization in a government entity, because of a legislative requirement or for other reasons, cannot decline to perform the work, in which case the government audit organization must disclose the impairment(s) and modify the GAGAS compliance statement.

Finally, the Independence Standard also establishes that if an impairment is identified after the audit report is issued, the audit organization should assess the impact on the audit. If the audit organization concludes that it did not comply with GAGAS, it should determine the impact on the auditors' report and notify entity management, those charged with governance, the requesters, or regulatory agencies that have jurisdiction over the audited entity and persons known to be using the audit report about the independence impairment and the impact on the audit. The audit organization should make such notifications in writing.

Personal Impairment

Auditors participating on an audit assignment must be free from personal impairments to independence. Personal impairments of auditors result from relationships or beliefs that might cause auditors to limit the extent of the inquiry, limit disclosure, or weaken or slant audit findings in any way. Individual auditors should notify the appropriate officials within their audit organizations if they have any personal impairment to independence.

External Impairment

Audit organizations must be free from external impairments to independence. Factors external to the audit organization may restrict the work or interfere with auditors' ability to form independent and objective opinions, findings, and conclusions. External impairments to independence occur when auditors are deterred from acting objectively and exercising professional skepticism by pressures, actual or perceived, from management and employees of the audited entity or oversight organizations.

Office of the City Auditor Policy

To ensure compliance with the Independence Standard regarding personal and external impairments, all City Auditor staff will be required to sign an annual independence statement. An auditor will not be assigned to an audit with an existing impairment, unless the assignment is unavoidable and a justification is provided. Should an actual or perceived impairment arise during the course of an assignment, the auditor is responsible for advising the City Auditor immediately. In any impairment cannot be resolved, the impairment must be reported in the scope section of the report. See page 25 for Annual Independence Statement.

Organizational Independence

The ability of audit organizations in government entities to perform work and report the results objectively can be affected by placement within government, and the structure of the government entity being audited. Whether reporting to third parties externally or to top management within the audited entity internally, audit organizations must be free from organizational impairments to independence with respect to the entities they audit. Impairments to organizational independence result when the audit function is organizationally located within the reporting line of the areas under audit or when the auditor is assigned or takes on responsibilities that affect operations of the area under audit.

In the City of San Diego, auditor independence is established by City Charter Section 39.2, enacted by the voters on June 3, 2008. See <http://www.sandiego.gov/city-clerk/officialdocs/legisdocs/charter.shtml>. Section 39.2 of the City Charter created the Office of the City Auditor and specified the following:

The City Auditor shall be appointed by the City Manager, in consultation with the Audit Committee, and confirmed by the Council. The City Auditor shall be a certified public accountant or certified internal auditor. The City Auditor shall serve for a term of ten years. The City Auditor shall report to and be accountable to the Audit Committee. Upon the recommendation of the Audit Committee, the City Auditor may be removed for cause by a vote of two-thirds of the members of the Council. The City Auditor shall be the appointing authority of all City personnel authorized in the department through the normal annual budget and appropriation process of the City, and subject to the Civil Service provisions of this Charter.

The City Auditor shall prepare annually an Audit Plan and conduct audits in accordance therewith and perform such other duties as may be required by ordinance or as provided by the Constitution and general laws of the State. The City Auditor shall follow Government Auditing Standards. The City Auditor shall have access to, and authority to examine any and all records, documents, systems, and files of the City and/or other property of any City department, office, or agency, whether created by the Charter or otherwise. It is the duties of any officer, employee, or agent of the City having control of such records to permit access to, and examination thereof, upon the request of the City Auditor or his or her authorized representative. It is also the duty of any such officer, employee, or agent to fully cooperate with the City Auditor, and to make full disclosure of all pertinent information. The City Auditor may investigate any material claim of financial fraud, waste, or impropriety within any City Department and for that purpose may summon any officer, agent, or employee of the City, any claimant or other person, and examine him or her upon oath or affirmation relative thereto. All City contracts with consultants, vendors or agencies will be prepared with an adequate audit clause to allow the City Auditor access to the entity's records needed to verify compliance with the terms specified in the contract. Results of all audits and reports shall be made available to the public subject to exclusions of the Public Records Act.

Organization Independence When Performing Nonaudit Services

Government Auditing Standards recognize that audit organizations at times may perform other professional services (nonaudit services) that are not performed in accordance with GAGAS. Audit organizations that provide nonaudit services must evaluate whether providing the services creates an independence impairment either in fact or appearance with respect to entities they audit. Based on the facts and circumstances, professional judgment is used in determining whether a nonaudit service would impair an audit organization's independence with respect to entities it audits.

The following two overarching principles apply to auditor independence when assessing the impact of performing a nonaudit service for an audited program or entity:

- 1) audit organizations must not provide nonaudit services that involve performing management functions or making management decisions; and
- 2) audit organizations must not audit their own work or provide nonaudit services in situations in which the nonaudit services are significant or material to the subject matter of the audits.

In considering whether audits performed by the audit organization could be significantly or materially affected by the nonaudit service, audit organizations should evaluate (1) ongoing audits; (2) planned audits; (3) requirements and commitments for providing audits, which includes laws, regulations, rules, contracts, and other agreements; and (4) policies placing responsibilities on the audit organization for providing audit services.

Nonaudit services generally fall into one of the following categories:

- a.** Nonaudit services that do not impair the audit organization's independence with respect to the entities it audits and, therefore, do not require compliance with the supplemental safeguards.
- b.** Nonaudit services that would not impair the audit organization's independence with respect to the entities it audits as long as the audit organization complies with supplemental safeguards.
- c.** Nonaudit services that do impair the audit organization's independence. Compliance with the supplemental safeguards will not overcome this impairment.

Office of the City Auditor Policy Regarding Nonaudit Services

In consultation with the Audit Committee, the City Auditor will consider performing the requested non-audit service in the context of impact on the current audit workplan. Further to ensure compliance in maintaining independence while performing nonaudit services, City Auditor staff will complete an Nonaudit Assessment form. The City Auditor will decline requests to perform Nonaudit services that impair the audit organization's independence. See page 26 for the Nonaudit Assessment form.

Professional Judgment

This standard requires that auditors must use professional judgment in planning and performing audits and attestation engagements and in reporting the results. Professional judgment includes exercising reasonable care and professional skepticism. Reasonable care concerns acting diligently in accordance with applicable professional standards and ethical principles. Professional skepticism is an attitude that includes a questioning mind and a critical assessment of evidence. Professional skepticism includes a mindset in which auditors assume neither that management is dishonest nor of unquestioned honesty. Believing that management is honest is not a reason to accept less than sufficient, appropriate evidence.

Office of the City Auditor Policy On Professional Judgment

The Audit Manual includes procedures for conducting audit planning, risk assessment, and audit fieldwork, as well as procedures for preparing workpapers and report writing. Evidence that the professional judgment standard was met should include completed and approved audit programs for audit planning, field work, and report writing. If any of the audit phases are not performed, a written justification for not doing so should be included in the workpapers. Also, included should be a signed ethical principle statement form documenting awareness of required behavior.

For each audit done in accordance with GAGAS, auditors should complete an Audit Standards Plan. The Audit Standards Plan includes procedures to ensure that internal procedures and GAGAS are followed.

Competence

The standards require that staff assigned to perform the audit or attestation engagement must collectively possess adequate professional competence for the tasks required. Competence is derived from a blending of education and experience. Competencies are not necessarily measured by years of auditing experience because such a quantitative measurement may not accurately reflect the kinds of experiences gained by an auditor in any given time period. Maintaining competence through a commitment to learning and development throughout an auditor's professional life is an important element for auditors. Competence enables an auditor to make sound professional judgments.

Office of the City Auditor Policy Regarding Auditor Competence

Job classifications contain minimum requirements for education, coursework, work experience, knowledge, and skills necessary to conduct audits. Principal Auditors perform challenging and innovative work to improve the economy, efficiency, and effectiveness of City government services and programs. This position requires the ability to collect, compile, analyze, interpret and present data, and draft audit findings. In the City of San Diego, Principal Auditor's:

- Analyze City programs, departments, budgets, and complex processes to identify areas of efficiency and effectiveness.
- Identify areas of risk and evaluate internal controls over financial reporting.
- Develop and execute audit programs to identify and document areas for improvement.
- Assist in audit planning, conduct field work, and document audit steps and working papers.
- Use specialized data analysis techniques and approaches to analyze agency performance.
- Apply knowledge of budgeting, public administration, and generally accepted governmental auditing standards.
- Develop and communicate audit findings to staff, including identifying recommendations to address audit issues.
- Negotiate and assist in the resolution of audit issues.
- Write reports to the San Diego City Council identifying audit findings and recommendations.
- Maintain a professional rapport with management and work to ensure recommendations are implemented.

Minimum qualifications include any combination of training and experience equivalent to completion of advanced undergraduate coursework in accounting, business or public administration or related field from an accredited college or university with at least eighteen semester units of accounting, finance or economics, and two years of professional performance auditing, analytical or policy work experience. An advanced degree or professional certification may be substituted for the required years of professional experience. Proficiency in MS Word, Excel, PowerPoint, and Access is required. Advanced data analysis skills are highly desirable.

Auditors performing work under GAGAS, including planning, directing, performing field work, or reporting on an audit or attestation engagement under GAGAS, should maintain their professional competence through continuing professional education (CPE). Therefore, each auditor performing work under GAGAS should complete, every 2 years, at least 24 hours of CPE that directly relates to government auditing, the government environment, or the specific or unique environment in which the audited entity operates. For auditors who are involved in any amount of planning, directing, or reporting on GAGAS assignments and those auditors who are not involved in those activities but charge 20 percent or more of their time annually to GAGAS assignments should also obtain at least an additional 56 hours of CPE (for a total of 80 hours of CPE in every 2-year period) that enhances the auditor's professional proficiency to perform audits or attestation engagements. Auditors required to take the total 80 hours of CPE should complete at least 20 hours of CPE in each year of the 2-year period.

Office of the City Auditor Training Policy and Guidelines

All auditors are required to comply with GAGAS continuing professional education requirements. The current two-year training cycle began on January 1, 2007. See page 31 for the Office of the City Auditor Training Policy.

Quality Control and Assurance

Each audit organization performing audits or attestation engagements in accordance with GAGAS must:

- establish a system of quality control that is designed to provide the audit organization with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements, and
- have an external peer review at least once every three years.

Office of the City Auditor Policy on Quality Control

The key components of the internal quality control program are: (a) Supervisory review of all audits and working papers, see page 34; (2) City Auditor review of completed audits see page 35; (3) Independent Report Review of final draft report, see page 36; (4) Audit Standards Plan Questionnaire completed for each audit engagement to document compliance with GAGAS, see page 37; and (5) a peer review conducted every three years. The signature page of the Audit Standards Plan documents the review and approval at each quality control checkpoint. *The Audit Standards Plan is to be developed.*

Peer Review Program

The office will participate in an external quality control review program, such as the program conducted by the Association of Local Government Auditors (ALGA). The most recent review was performed in 2005 and covered audits completed between July 2001 and June 2004. Logically, the next peer review should cover audits issued between July 2004 and June 2007, with a subsequent review to be conducted every three years thereafter. However, based on guidance from ALGA's Review committee, the Office of the City Auditor can be considered a new organization given the proposed charter change; the lack of a previous City requirement to follow government auditing standards; and past practice of not citing standards in audit reports.

As a result, the time period for the Office first peer review will cover the period of January 2008 to December 2010. It is expected that the peer review will be conducted in 2011.

The internal auditor will transmit its external peer review reports to the Audit Committee and City Council. The peer review report and any letter of comment will also be posted on the Internal Auditor's website and a copy of the reports will be made available to the public upon request.

Office of the City Auditor Policy on Peer Review

The policy is to comply with the external peer review requirement by having an external peer review every three years. The peer review could be done through a professional association, such as the Association of Local Government Auditors, or through an outside auditing firm.

**Annual Independence Statement
Office of the City Auditor
City of San Diego**

To be completed by all audit staff, including consultants:

Regarding the audits listed on the annual audit workplan for fiscal year 20__ ²		Yes	No
1.	Do you have any official, professional, financial or personal relationships with anyone that might limit the extent of inquiry or disclosure, or weaken audit findings in any way?		
2.	Do you have any preconceived ideas toward individuals, groups, organizations or objectives of a particular program that could bias the audit?		
3.	Have you had previous involvement in a decision making or management capacity that would affect current operations of the entity or program being audited?		
4.	Do you have political or social biases that result from employment in, or loyalty to, a particular group, organization, or level of government?		
5.	Have you previously approved invoices, payrolls, claims, and other proposed payments for the entity being audited?		
6.	Have you previously maintained the official accounting records of the entity being audited?		
7.	Do you have a direct or substantial indirect financial interest in the audited entity or program?		

I have been advised that during any audit to which I am assigned, I will be alert for fraud, abuse or illegal acts. If such acts are detected, I will notify the supervising auditor at once.

I have been advised that during the course of the audit, if any personal, external, or organizational impairments occur that may affect my ability to do the work and report findings impartially, I will notify the Internal Auditor or the supervising auditor promptly.

I have been informed of and am familiar with the Internal Audit policies and procedures regarding independence and objectivity.

If "yes" is marked in any box, please complete the following section.

To be completed by	Question	Response
Audit staff	List any personal impairments .	
City Auditor	Can the impairments be mitigated? If so, explain how and justify the assignment.	

Auditor's Signature: _____

Date: _____

City Auditor's Signature: _____

Date: _____

² Attach audit workplan to this form.

**Assessment of Nonaudit Services Form
Office of the City Auditor
City of San Diego**

Requested non-audited service: _____

Person Requesting non-audited service: _____

The following two overarching principles apply when assessing the impact of performing a nonaudit service for an audited program or entity:

- 1) audit organizations must not provide nonaudit services that involve performing management functions or making management decisions; and
- 2) audit organizations must not audit their own work or provide nonaudit services in situations in which the nonaudit services are significant or material to the subject matter of the audits.

Nonaudit Services

There are three categories of nonaudit services. They include the following:

- A. Nonaudit services that do not impair the audit organization's independence with respect to the entities it audits and, therefore, do not require compliance with the supplemental safeguards in paragraph 3.30. (See paragraphs 3.26 and 3.27.)
- B. Nonaudit services that would not impair the audit organization's independence with respect to the entities it audits as long as the audit organization complies with the supplemental safeguards in paragraph 3.30. (See paragraph 3.28.)
- C. Nonaudit services that do impair the audit organization's independence. Compliance with the supplemental safeguards will not overcome this impairment. (See paragraph 3.29.)

Check the applicable category

Category A Nonaudit Services That Do Not Impair Independence

Nonaudit services in which auditors provide technical advice based on their technical knowledge and expertise do not impair auditor independence with respect to entities they audit and do not require the audit organization to apply the supplemental safeguards. However, auditor independence would be impaired if the extent or nature of the advice resulted in the auditors' making management decisions or performing management functions.

Examples of the types of services considered as providing technical advice include the following:

- ☐ participating in activities such as commissions, committees, task forces, panels, and focus groups as an expert in a purely advisory, nonvoting capacity to **(1)** advise entity management on issues based on the auditors' knowledge or **(2)** address urgent problems;

- providing tools and methodologies, such as guidance and good business practices, benchmarking studies, and internal control assessment methodologies that can be used by management; and
- providing targeted and limited technical advice to the audited entity and management to assist them in activities such as (1) answering technical questions or providing training, (2) implementing audit recommendations, (3) implementing internal controls, and (4) providing information on good business practices.

Category B Nonaudit Services That Do Not Impair Independence But Require Safeguards

Services that do not impair the audit organization's independence with respect to the entities they audit so long as they comply with supplemental safeguards include the following:

- providing basic accounting assistance limited to services such as preparing draft financial statements that are based on management's chart of accounts and trial balance and any adjusting, correcting, and closing entries that have been approved by management; preparing draft notes to the financial statements based on information determined and approved by management; preparing a trial balance based on management's chart of accounts; maintaining depreciation schedules for which management has determined the method of depreciation, rate of depreciation, and salvage value of the asset (If the audit organization has prepared draft financial statements and notes and performed the financial statement audit, the auditor should obtain documentation from management in which management acknowledges the audit organization's role in preparing the financial statements and related notes and management's review, approval, and responsibility for the financial statements and related notes in the management representation letter. The management representation letter that is obtained as part of the audit may be used for this type of documentation.);
- providing payroll services when payroll is not material to the subject matter of the audit or to the audit objectives. Such services are limited to using records and data that have been approved by entity management;
- providing appraisal or valuation services limited to services such as reviewing the work of the entity or a specialist employed by the entity where the entity or specialist provides the primary evidence for the balances recorded in financial statements or other information that will be audited; valuing an entity's pension, other post-employment benefits, or similar liabilities provided management has determined and taken responsibility for all significant assumptions and data;
- preparing an entity's indirect cost proposal or cost allocation plan provided that the amounts are not material to the financial statements and management assumes responsibility for all significant assumptions and data;
- providing advisory services on information technology limited to services such as advising on system design, system installation, and system security if management, in addition to the safeguards in paragraph 3.30, acknowledges responsibility for the design, installation, and internal control over the entity's system and does not rely on the auditors'

work as the primary basis for determining (1) whether to implement a new system, (2) the adequacy of the new system design, (3) the adequacy of major design changes to an existing system, and (4) the adequacy of the system to comply with regulatory or other requirements;

- ☐ providing human resource services to assist management in its evaluation of potential candidates when the services are limited to activities such as serving on an evaluation panel of at least three individuals to review applications or interviewing candidates to provide input to management in arriving at a listing of best qualified applicants to be provided to management; and
- ☐ preparing routine tax filings based on information provided by the audited entity.

Category C Nonaudit Services That Impair The Organization's Independence.

Compliance with supplemental safeguards will not overcome independence impairments in this category. By their nature, certain nonaudit services directly support the entity's operations and impair the audit organization's ability to meet either or both of the overarching independence principles in paragraph 3.22 for certain types of audit work. Examples of the types of services under this category include the following:

- ☐ maintaining or preparing the audited entity's basic accounting records or maintaining or taking responsibility for basic financial or other records that the audit organization will audit;
- ☐ posting transactions (whether coded or not coded) to the entity's financial records or to other records that subsequently provide input to the entity's financial records;
- ☐ determining account balances or determining capitalization criteria;
- ☐ designing, developing, installing, or operating the entity's accounting system or other information systems that are material or significant to the subject matter of the audit;
- ☐ providing payroll services that (1) are material to the subject matter of the audit or the audit objectives, and/or (2) involve making management decisions;
- ☐ providing appraisal or valuation services that exceed the scope described in paragraph 3.28 c;
- ☐ recommending a single individual for a specific position that is key to the entity or program under audit, otherwise ranking or influencing management's selection of the candidate, or conducting an executive search or a recruiting program for the audited entity;
- ☐ developing an entity's performance measurement system when that system is material or significant to the subject matter of the audit;

- ☐ developing an entity's policies, procedures, and internal controls;
- ☐ performing management's assessment of internal controls when those controls are significant to the subject matter of the audit;
- ☐ providing services that are intended to be used as management's primary basis for making decisions that are significant to the subject matter under audit;
- ☐ carrying out internal audit functions, when performed by external auditors; and
- ☐ serving as voting members of an entity's management committee or board of directors, making policy decisions that affect future direction and operation of an entity's programs, supervising entity employees, developing programmatic policy, authorizing an entity's transactions, or maintaining custody of an entity's assets.

Assessment

If Category A is marked, proceed with the requested nonaudit service.

If Category B is marked, proceed with the requested nonaudit service, so long the following supplemental safeguards are followed. These include

- a. documenting our consideration of the nonaudit services, including our conclusions about the impact on independence;
- b. establishing in writing an understanding with the audited entity regarding the objectives, scope of work, and product or deliverables of the nonaudit service; and management's responsibility for (1) the subject matter of the nonaudit services, (2) the substantive outcomes of the work, and (3) making any decisions that involve management functions related to the nonaudit service and accepting full responsibility for such decisions;
- c. excluding personnel who provided the nonaudit services from planning, conducting, or reviewing audit work in the subject matter of the nonaudit service; and
- d. not reducing the scope and extent of the audit work below the level that would be appropriate if the nonaudit service were performed by an unrelated party.

If Category C is marked, decline the requested the non-audit service. If requested to perform nonaudit services that impair the City Auditor's ability to meet either or both of the overarching independence principles for certain types of audit work, the City Auditor should inform the requestor and the audited entity that performing the nonaudit service would impair the City Auditors' independence with regard to subsequent audit or attestation engagements.

NONAUDIT SERVICE APPROVAL

To be completed by the City Auditor:

I Approve / Disapprove the assignment

Further, I certify that we (1) will not audit our own work; (2) are not performing any management functions or making any management decisions relative to the auditee; and (3) are not providing nonaudit services that are significant or material to the subject matter of any ongoing audit.

Signature

Office of the City Auditor
Training Policy and Guidelines

August 2007

Purpose

- Ensure that all Office of the City Auditor employees receive the necessary training to optimize job performance.
- Establish quality control procedures to ensure compliance with the Continuing Professional Education (CPE) requirements mandated by the U.S. Government Accountability Office (GAO) Government Auditing Standards.
- Establish educational training requirements with learning objectives designed to maintain or enhance employees' competency, knowledge, skills, and abilities in areas applicable to performing audits, attestation engagements, and other technical job related activities for Internal Audit.
- Support staff in their career development.

Policy

The 2007 GAO Government Auditing Standards requires auditors performing governmental audits to complete at least 80 hours of CPE each 2 year period to enhance professional competence and proficiency. The Government Auditing Standards also requires at least 24 of the 80 hours of CPE to be earned in one of the 2 years, and be directly related to government auditing, the government environment or the specific or unique environment in which the audited entity operates. Internal Audit has adopted the policy that all staff auditors will meet this CPE requirement. The City will provide the required CPE by sending internal auditors to training sponsored by appropriate professional organizations or providing the CPE training in-house.

Scope

- This training program applies to all employees of the City Auditor that engage in performing audits.
- The primary focus for this training program is to develop and enhance the participants' knowledge, skills, and abilities in areas applicable to performing audits or attestation engagements; however, training may be provided in various other areas such as ethics, and personal development that increases competence.

Goals and Procedures

CPE topics may include but are not limited to audit methodology, accounting, assessment of internal controls, risk assessment, detection of fraud, investigative auditing, performance auditing, operational auditing, financial auditing and disclosure, statistical sampling, evaluation design, data analysis, public administration, City policy and structure, economics, social sciences, personal development, computer

applications, and principles of management and supervision. The following should also be considered when deciding whether a program qualifies for CPE credits.

- The training should contribute to the auditors' proficiency to perform or supervise an audit or increase competence.
- The training program should establish the education and experience level needed for participation.
- The training program objectives should specify the level of expected knowledge or competence upon completion of the program.
- The information presented should be current and substantive.
- The program should be designed and developed by those knowledgeable in the subject matter and instruction/education design.
- Instructors should be knowledgeable with program content and teaching methods.
- When appropriate, evaluation or assessment activities should be part of the program.

The following are different categories of programs available for CPE credits. Generally, 50 minutes of training = **1 Hour of CPE credit**.

- Internal training programs that meet the qualifications for CPE.
- Meetings or seminars of professional organizations that meet the qualifications for CPE.
- College courses that enhance professional competence and proficiency – 1 semester unit = 15 CPE credits, 1 quarter unit = 10 Hours of CPE credits.
- External education and training programs sponsored by professional organizations that qualify for CPE. Professional organizations include but are not limited to the Institute of Internal Auditors, Association of Local Government Auditors, American Institute of Certified Public Accountants, Association of Certified Fraud Examiners, Information Systems Audit and Control Association, and the Government Accounting Standards Board.
- Speaking engagements and formal instruction that qualify for CPE. 1 presentation hour (50 minutes) = 3 Hours of CPE credits (1 credit for presentation and 2 credits for preparation) **Limit 40 CPE each 2 year period, limited to 1 time every 2 years for repeated programs.**
- Individual study programs such as correspondence courses, self-study guides, video tapes, audio cassette, and computer courses that meet the qualifications for CPE.

Maintaining and continuously improving professional competence is primarily the responsibility of each individual auditor. Each auditor should seek opportunities for training and professional development, participate in training provided by the City, and maintain the training documentation required under this policy.

- A Training Logbook (Excel Workbook) will be kept on a shared hard drive to track compliance with the Government Auditing Standards CPE requirements. The

Training Logbook is located at "F:\HOME_SYS\SEC-AUD\CPE\Training Logbook". A new Logbook will be created after each 2 year period, and each auditor will have a separate tab on the Logbook to enter training information. In addition, a shared Training Binder will be maintained by City Auditor management to keep documentation verifying the successful completion of CPE (e.g. Certificates of Completion, Reports of Grades, etc). Each auditor will have a tab in the Training Binder.

- After completing CPE provided by the City, each auditor will record the training information in the Training Logbook, and put documentation in the Training Binder that verifies successful completion.

It is the responsibility of City Auditor management to maintain quality control procedures to ensure auditors are in compliance with the CPE and staff competence requirements mandated by Government Auditing Standards.

- At least every 4 months, City Auditor management will review the CPE recorded in the Training Logbook and the corresponding documentation kept in the Training Binder to verify the successful completion of CPE, and to ensure each auditor will receive training to be in compliance the Government Auditing Standards CPE requirements.
- City Auditor management will continually assess the skill level needed to fulfill the scope of audit projects and provide audit staff with the training necessary to meet those needs.
- Staff will be encouraged and supported to successfully complete the requirements to obtain professional certification designations such as Certified Internal Auditor, Certified Public Accountant, Certified Fraud Examiner, and/or other professional certification designations.

**CITY OF SAN DIEGO
OFFICE OF THE CITY AUDITOR**

SUPERVISORY REVIEW

Purpose

To ensure that all audit reports are supported by evidence documented in the audit workpapers; opinions and conclusions are logical and consistent; and all applicable GAGAS standards were met.

Background

The Supervising Auditor review ensures that the quality control reviews are performed on time and adequately documented. Supervisory review usually consists of continuous review of audit work and working papers

Procedure

Supervisory review includes:

- (a) attendance at team meetings to monitor audit progress;
- (b) participation at the preliminary survey meeting to discuss potential risk exposures of organizational unit under review and define areas that warrant audit attention;
- (c) participation at fieldwork meetings to review audit results and finalize draft outline;
- (d) review of key working papers; and
- (e) review of draft reports.

The Supervising Auditor Review includes the review of workpapers to ensure that the audit workpapers comply with the Internal Audit workpaper organization and control guidelines described in the Audit Manual and Government Auditing Standards. Subject to the approval of the Internal Auditor, the Supervising Auditor may delegate the review of workpapers to another member of the audit staff provided that person is sufficiently experienced and competent to perform the task(s).

The In-Charge/Supervising Auditor is responsible for ensuring that the audit is performed in accordance with Government Auditing Standards and the City Auditor Policies and Procedures Manual. The In-Charge Review includes assessing the requirements of the audit assignment.

CITY OF SAN DIEGO

OFFICE OF THE CITY AUDITOR

CITY AUDITOR REVIEW AND APPROVAL

Purpose

To document the City Auditor's ultimate responsibility for all audit work and audit products issued by the office

Background

The City Auditor's goal is to ensure that all audit products and audit work performed by Audit staff are accurate, timely, and complete and done in accordance to GAGAS. The Internal Auditor's signature on audit reports and memorandums attests that he has reviewed and approves of the audit findings, conclusions, and recommendations.

Procedure

The City Auditor's review and approval includes:

- A. Approval of audit scoping statement, completed risk assessment, and field work audit program;
- B. Review and approval of draft audit reports and memorandums;
- C. Participating in periodic team meetings to monitor audit progress;
- D. Participating at an end of preliminary survey meetings to discuss the audit scope statement and finalized risk assessment and audit program; and
- E. Participating at an end of field work meeting to review audit results and discuss draft outline.

**CITY OF SAN DIEGO
OFFICE OF THE CITY AUDITOR**

INDEPENDENT REPORT REVIEW

Purpose

To ascertain that every statement of fact in the audit report is supported by audit evidence documented in the audit workpapers and that opinions and conclusions are logical and consistent.

Background

The Independent Report Review is a critical quality control element in audit report processing. The reviewer's job is to examine the report's logic and facts. The reviewer is expected to verify every statement of fact by tracing it back to the supporting workpapers. The workpapers should reflect the details of the evidence and disclose how it was obtained.

Procedure

Supervising Auditor and City Auditor	1. Assign an auditor who was not involved in the audit project's fieldwork and report preparation to be the Independent Report Reviewer.
Audit Staff	2. Ascertain that audit workpapers provide adequate support to the audit work performed and the audit evidence gathered during the audit. Workpapers must have the required sign-offs. For each statement of fact , reference the audit report draft to the audit workpapers by noting the workpaper index number on the page margin next to each line. For statements of opinion or conclusion, write "OPINION" or "CONCLUSION" on the page margin next to the statement.
Independent Report Reviewer	3. Review the report's conceptual structure, spelling, grammar, and punctuation. Verify that facts flow logically into conclusions and recommendations. Trace every statement of fact to the supporting workpaper, including dates, numbers, percentages, computations, titles, proper names, quotes, and legal citations. If the statement of fact, opinion, or conclusion is acceptable, place a tickmark at the end of each line. Every numerical number or word for all numbers (e.g., dollar amount, year, or percent), dates, titles, and direct quotes must be tickmarked. Write all questions or comments in a Workpaper Review Sheet. Write a comment reference number next to each questioned item.
Audit Staff	4. Respond in writing (in the space provided in the Workpaper Review Sheet) to the Independent Report Reviewer's comments and questions. Make changes to the workpapers as necessary. Refer any audit report changes and unresolved items to the Supervising Auditor and the Internal Auditor.
Independent Report Reviewer	5. Review the audit staff's responses to the Workpaper Review comments. Cross out all comments or questions that are resolved.
City Auditor	6. Review and approve the audit report changes and decide on any unresolved issues.
Audit Staff	7. File the Workpaper Review Sheets in the audit workpapers.

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AUDIT STANDARDS REVIEW

Purpose

To ensure that the audit project complies with the U.S. Comptroller General's *Government Auditing Standards*.

Background

The Audit Standards Review occurs at the end of the report writing phase. The intent of the final review is to ascertain that the audit staff has complied with the applicable General Standards, Field Work Standards, and Reporting Standards as described in the **Audit Standards Plan**. See Appendix I for a copy of the Audit Standards Plan.

Procedure

Audit staff	1. Update the Audit Standards Plan to reflect the audit work performed upon completion of the Report Writing phase of the audit.
Audit Standards Plan Reviewer	2. Review the Audit Standards Plan for completeness. Write the review comments in an Audit Standards Review Worksheet.
Audit Staff	3. Address comments and make changes to the Audit Standards Plan or workpapers, if necessary. Refer any unresolved items to the Supervising Auditor and the Internal Auditor.
Supervising Auditor and City Auditor	4. Decide on any unresolved issues.
Audit Staff	5. File the Audit Standards Plan and the reviewer's comments in the audit workpapers.